

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Mail Processing Network
Rationalization Service Changes, 2012

Docket No. N2012-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

(Issued December 29, 2011)

The Postal Service is requested to respond to the following question to clarify the record on its request for an advisory opinion under 39 U.S.C. 3661(c) regarding the Mail Processing Network Rationalization Service Changes, 2012 (MPNR).¹ In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers and be prepared to explain, to the extent necessary, the basis for the answers at the hearings.² Responses shall be provided no later than January 9, 2012.

The following question(s) are directed to witness David E. Williams (USPS-T-1)

1. The First-Class Mail class consists of the following four domestic products: Single-Piece Letters/Postcards, Presorted Letters/Postcards, Flats, and Parcels. Please answer the following questions in light of the assertion that certain First-Class mail will retain an overnight delivery expectation. See USPS-T-1 at 19.

¹ Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, December 5, 2012 (Request).

² Questions have been grouped by the witness most likely to respond. The Postal Service may redirect questions as necessary to provide a complete response, including the provision of institutional responses if necessary.

- a. For each domestic product within First-Class Mail, what percentage of First-Class Mail is delivered overnight, what percentage of First-Class Mail is delivered within two days, and what percentage of First-Class Mail is delivered in three to five days, for the most recent quarter that data are available.
 - b. For each domestic product within First-Class Mail, what is the projected percentage of First-Class Mail delivered overnight, what is the projected percentage of First-Class Mail delivered within two days, and what is the projected percentage of First-Class Mail delivered in three to five days, after implementation of MPNR.
2. The Postal Service estimates that implementing MPNR will lead to annual savings of \$2.1 billion. See USPS-T-2 at 12.
 - a. Of the total savings, please estimate the savings that will result from reductions in the Postal Service's labor complement.
 - b. Witness Rachel (USPS-T-8) provides a list of 8 mechanisms used by the Postal Service to achieve complement reductions. USPS-T-8 at 15. Please provide specific details regarding the effect of MPNR on the number of employees and associated cost savings due to the following mechanisms:
 - i. voluntary movement utilizing eReassign;
 - ii. normal attrition over the next several years;
 - iii. reductions in non-career employees;
 - iv. article 12 involuntary reassignments;
 - v. voluntary early retirement (VER);
 - vi. management reductions in force (RIFs);

- vii. retirement incentive options (potentially);
 - viii. bargaining unit layoffs pursuant to Article 6; and
 - ix. any other mechanism (such as voluntary separation).
- 3. In Docket No. N2006-1, Evolutionary Network Development Service Changes, 2006, the Postal Service used LogicNet Plus software.
 - a. Please confirm that the model sponsored by witness Rosenberg (USPS-T-3) in Docket No. N2012-1 uses the same software. If not confirmed, please explain.
 - b. Please describe any differences between the Evolutionary Network Development modeling process presented in Docket No. N2006-1 and the modeling process presented in Docket No. N2012-1 regarding:
 - i. scope, such as network structure and/or different constraints;
 - ii. inputs;
 - iii. outputs; and
 - iv. assumptions.
- 4. Please explain if and how the proposed change in service is consistent with provisions in annual postal appropriations riders that states “that 6-day delivery and rural delivery of mail shall continue at not less than the 1983 level.” See, e.g., Consolidated Appropriations Act, 2008, Title V, P.L. 110-161; 121 Stat. 1844.

The following question(s) are directed to witness Stephen Masse (USPS-T-2)

- 5. On page 4 of his testimony, witness Masse (USPS-T-2) states First-Class Mail volumes will decline significantly over the next nine years from the current 74 billion pieces in FY 2011 down to just 39 billion pieces by FY 2020. In the Postal Service’s 10-year action plan released in March 2010, First-Class Mail volume was projected to be almost 53 billion pieces by FY 2020. Ensuring a Viable Postal Service for America: An Action Plan for the Future, March 2010 at 4.

- a. Please discuss the changes in the volume forecasts since the release of the March 2, 2010 10-year action plan.
- b. Include in the discussion an explanation of the changes in the assumptions used to develop the new forecasts.
- c. Please provide updated forecasts of volumes, revenues, and costs with all workpapers underlying these forecasts in the same manner as the original 10-year action plan that was provided in response to Docket No. R2010-4, Presiding Officer's Information Request No. 5, question No. 32.

The following question(s) are directed to witness Emily R. Rosenberg (USPS-T-3)

6. Please refer to library reference USPS-LR-N2012-1/14 file "14_Mail Processing Window Scoring Tool.xls" tab "Wrkl'd Regression" which contains the following table.

LABOR HOURS = **Core** + **Variable** * Volume / 1000

	Small		Medium		Large	
	Core	Variable	Core	Variable	Core	Variable
CANC	1187	0.144	520	0.194	1630	0.202
L-OGP	829	0.158	-633	0.229	-6426	0.289
L-INP	866	0.182	35	0.214	24896	0.185
L-INS	-165	0.109	-7507	0.136	-11229	0.142

Variable is hours per thousand pieces

Core is hours per annual operation

- a. Please define and explain the significance of:
 - i. CANC;
 - ii. L-OGP;
 - iii. L-INP;
 - iv. L-INS;
 - v. Core; and
 - vi. Variable.

- b. Please provide the quantitative definition of “Small,” “Medium,” and “Large.”
- c. Please provide the source of the data presented in the table, as well as any underlying studies or workpapers used to develop these data.
- d. Please identify where in the IBM LogicNet model this data is used, explain the purpose of this data within the context of the IBM LogicNet model, and explain how this information was integrated into the LogicNet model.

The following question(s) are directed to witness Frank Neri (USPS-T-4)

- 7. On page 27 of his testimony, witness Neri (USPS-T-4) states, “revision of service standards and the opportunity to streamline and consolidate facilities throughout the network are expected to generate productivity gains.” On pages 29-30, figure 12, witness Neri provides estimates of mail processing productivity improvements.
 - a. Please provide all workpapers used to develop the estimates of improvements.
 - b. Please also provide separate productivity improvement estimates for the:
 - i. revision of service standards; and
 - ii. consolidation of facilities.
- 8. On page 14 of his testimony, witness Neri (USPS-T-4) states, “following implementation of an approved AMP, two post-implementation reviews (PIRs) are required. A PIR measures actual data before and after AMP implementation, comparing the projected savings or costs with actual post-AMP savings or costs. Most PIRs find that actual net savings exceed what was originally projected.” On page 3 of his testimony, witness Williams (USPS-T-1) states that 114 AMP consolidations have been approved under the June 2008 network plan, with 11 studies currently ongoing.

- a. How many AMP studies have been performed since 2008?
- b. How many PIRs have been performed?
- c. How many PIRs have found that actual net savings exceeded the original AMP projection?
- d. How many PIRs have found that actual net savings did not exceed the original AMP projection?
- e. Please provide a copy of all AMP studies and PIRs performed since 2008, including those related to facilities identified in this docket.

The following question(s) are directed to witness Cheryl D. Martin (USPS-T-6)

9. On Page 9 of her testimony, witness Martin (USPS-T-6) estimates a 24.71 percent reduction in capacity of plant-to-plant transportation that will result from the network restructuring.
 - a. Please confirm that the 24.71 percent reduction in capacity represents a simple average of the seven regions.
 - b. A weighted average percent reduction in capacity, which takes into account regional differences in transported volume, and differences in trip distance and frequency within a region, might provide a more accurate measure of average percent reduction in capacity. Please explain the rationale for using a simple average rather than a weighted average.
10. Please refer to library reference LR-N2012-1/11 workbook “Plant to Plant Trips” of Excel file “Transportation Spreadsheets LR.xls.” Please provide a list of plant-to-plant HCR trips and all information for each trip in the table format appearing below. Please provide additional information for each trip including annual cubic-foot of capacity, annual cubic-foot of mail transported, annual cost, and indicate whether or not the trip is a candidate for elimination.

Plant to Plant HCR Trips

Area	HCR ID	Trip No.	Trip Frequency (Annual)	Origin	Stop 1	Stop 2	Stop 3	Destination	Trip Miles	Trip Purpose	Utilization	Annual Capacity in Cubic-Foot	Annual Cubic-Foot of Mail Transported	Annual Cost	Candidate for Elimination (Yes or No)
Northeast	030EJ	601	307.07	Nashua LDC NH	Springfield MA LDC			Pittsburgh LDC PA	626	Priority Mail	78%				
Northeast	030EJ	602	307.07	Pittsburgh LDC PA	Springfield MA LDC			Nashua LDC NH	626	Priority Mail	81%				
Northeast	030M1	1	255.75	Nashua LDC NH	NNJ LDC			Philadelphia NDC PA	322	Priority Mail	79%				
Northeast	030M1	2	255.75	Phila NDC	NNJ LDC	Boston MA PDC		Nashua LDC NH	348	Priority Mail	73%				
Northeast	030NJ	1	251.46	Nashua LDC NH				Detroit NDC MI	739	Priority Mail	74%				

11. On Page 12 of her testimony, witness Martin (USPS-T-6) estimates a 13.68 percent reduction in operating miles of plant-to-post office transportation.
 - a. Please provide all data and supporting analyses used to determine the average percent reduction.
 - b. Please confirm whether or not all regions are represented in the calculation of the average percent reduction in operating miles. If not, please explain.
 - c. Please confirm that the percent reduction is a simple average of the regions under study. If confirmed, please explain the rationale for using a simple average rather than a weighted average.
12. Please explain how the proposed network changes affect Plant Load transportation and how these impacts are incorporated into the estimates of transportation capacity reductions.

13. On page 15 of her testimony, witness Martin (USPS-T-6) estimates that 124 million pounds of First-Class Mail with a three-day service standard will be diverted from surface to air transportation annually as a result of the proposed changes in critical entry times.
 - a. Please explain in detail the methodology used for estimating the number of pounds diverted.
 - b. Provide all supporting calculations.
 - c. Please quantify the surface transportation cost savings that result from moving 124 million pounds of mail to air transportation.
 - d. Please provide the estimated cost savings from mail diverted from air transportation to surface transportation as a result of changes in service standards. Include all supporting calculations, and identify where in the transportation cost savings estimates savings from diverting mail from air to surface is incorporated.

The following question(s) are directed to witness Pritha N. Mehra (USPS-T-7)

14. Is it likely the number of Detached Mail Units will increase or decrease as a result of MPNR? Please explain the rationale for the answer provided, including any quantification of the change in the number of units that may be projected at this time.
15. On page 4 of her testimony, witness Mehra (USPS-T-7) states, “where practicable, BMEUs will remain in the impacted facility. If this is not feasible, acceptance units will be located within relatively close geographical proximity to the impacted facility and mailers will be allowed to retain their SCF discounts for the foreseeable future for mail entered at the BMEUs.”

- a. Please estimate the number of BMEUs that will remain open at impacted facilities.
- b. What mail processing, acceptance, and transportation related operations will be necessary at BMEUs that remain open?
- c. What equipment will need to remain at impacted facilities that continue BMEU operations?
- d. How many employees at BMEUs at impacted facilities will continue to accept mail?
- e. Please provide an estimate of the cost of keeping BMEUs open at impacted facilities.
- f. Will there be a surcharge to mailers entering mail at an impacted facility?
- g. What percent of mail volume does the Postal Service anticipate accepting at impacted facilities?
- h. If mail is accepted at an impacted facility will it have the same service standards as mail accepted at an operational facility?
- i. What is the timeline to phase out acceptance of mail at impacted facilities?
- j. Please provide the workpapers used to determine the transportation costs of keeping BMEUs open at impacted facilities.
- k. Please provide the workpapers used to determine the mail processing costs of keeping BMEUs open at impacted facilities.
- l. USPS-T-4 at 29, figure 12, includes an estimate of platform operation productivity improvement of 20 percent due to the current proposal. How will the ongoing operation of BMEUs at impacted facilities affect this productivity improvement?

The following question(s) are directed to witness Marc A. Smith (USPS-T-9)

16. In Docket No. N2010-1, the Commission noted the importance of peak load costs in analyzing network changes. Docket No. N2010-1, Advisory Opinion on Elimination of Saturday Delivery, March 24, 2011 at 114-128. The Commission also released a contractor study of peak load modeling, which contains an outline of the data necessary to model peak-load costs. Report on Peak Load Cost Modeling, October 7, 2011 at 40. The report notes that much of the data needed to model peak load costs can be obtained from data currently available to the Postal Service. *Id.* at 4. On page 4 of his testimony in Docket No. N2012-1, witness Smith (USPS-T-9) states that since 1987 “the peak load problem has gotten worse.”
- a. Please provide any analysis developed to estimate the peak load costs of the Postal Service for 2010 compared to 1987.
 - b. Please provide:
 - i. MODS volumes and workhours by plant, by operation, by hour, for FY 2010;
 - ii. MODS volumes and workhours by plant, by operation, by hour, for FY 2009; and
 - iii. any other information the Postal Service considers important for modeling mail processing peak-load costs.

The following question(s) are directed to witness Rebecca Elmore-Yalch (USPS-T-11)

17. Please refer to library reference USPS-LR-N2012-1/NP1 folder “OCR”.
- a. Please provide a data dictionary that links the variables provided in “First-Class Mail_LargeCommercial_Final_DataFile_USPS-LR-N2012-1_NP1.sav” with the survey questions provided in USPS-T-11 at 89, Appendix F, Part 1.

- b. Please provide a data dictionary that links the variables provided in “First-Class Mail_SmallHome_Final DataFile_USPS-LR-N2012-1_NP1.sav” with the survey questions provided in USPS-T-11 at 139, Appendix F, Part 2.
 - c. Please provide a data dictionary that links the variable provided in “First-Class Mail_Consumers_Final DataFile_USPS-LR-N2012-1_NP1.sav” with the survey questions provided in USPS-T-11 at 148, Appendix F, Part 3.
18. Please refer to library reference USPS-LR-N2012-1/NP1.
- a. Please explain how missing responses are handled in datasets “First-Class Mail_LargeCommercial_Final_DataFile_USPS-LR-N2012-1_NP1.sav”, “First-Class Mail_SmallHome_Final DataFile_USPS-LR-N2012-1_NP1.sav”, and “First-Class Mail_Consumers_Final DataFile_USPS-LR-N2012-1_NP1.sav” in calculating the statistic “Average Annual Pieces per Customer” found in “Network Rationalization Volume Revenue Contribution Loss-Final2.xls”.
 - b. Please provide a crosswalk which links the data found in “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab “Nat’l, Premier & Preferred” in the table beginning in cell E55 with the source data found in “CBCIS-Account Type_Products.xls”.
19. Please refer to USPS-T-11 at 49, figure 41. The calculation of volume forecasts due to the change in service standards is adjusted by the “% of Increase/Decrease in Volume Solely Attributable to Changes to FCM Standards”. *Id.* column 3. This adjustment factor is determined from the answer to the following survey question.
- You indicated that based on the First-Class Mail service standards I described the total number of PAYMENTS you would mail using the U.S. Postal Service in 2012 would [DECREASE/INCREASE] by [RESTORE DIFFERENCE_BILLS] piece(s). What percentage of this [DECREASE/INCREASE] is solely because of the First Class Mail service standards that I described?

USPS-T-11 at 144, Appendix F, Part 3.

- a. Please provide a detailed explanation of the purpose of this survey question.
 - b. Please provide the mean response to this question.
 - c. Please discuss the Postal Service's understanding of why respondents' answers to this question would be anything less than 100 percent.
20. On page 44 of her testimony, witness Elmore-Yalch (USPS-T-11) states that the use of the Juster Purchase Probability Scale is "widely used and is supported by extensive research." The academic literature the Commission has reviewed supports the application of the Juster Scale for predicting consumer behavior when introducing a new product. Please provide justification (including supporting citations to literature) for use of the Juster Purchase Probability Scale to forecast a decrease in purchasing behavior for a product currently offered.

The following question(s) are directed to witness Greg Whiteman (USPS-T-12)

21. Please refer to USPS-T-12 at 22, chart 1, titled *Volume, Revenue, Cost and Net Contribution Changes with First-Class Mail Service Standard Changes*.
- a. Please confirm that the analysis summarized in chart 1 predicts that combined Express Mail and Priority Mail volumes will be impacted the most (on a percentage basis) of all the listed items. If not confirmed, please explain.
 - b. Please provide any analysis performed specific to the impact of MPNR on Express Mail and Priority Mail Volumes.

- c. Please confirm that neither Express Mail nor Priority Mail service standards will be impacted by the current proposal. If not confirmed, please explain.
- d. Please provide any insight or explanation as to why customers indicated that use of Express and Priority Mail would be more negatively affected by the proposed service standard changes than any other type of mail?

The following question(s) are directed to the Postal Service for an institutional response

22. Please refer to the specified spreadsheets within the following library references.

Library Reference	Spreadsheet
USPS-LR-N2012-1/10	FY2010_EOR_RunDownIdleTime Lib Ref.xls
USPS-LR-N2012-1/10	Outgoing Secondary Workload Library Reference.xls
USPS-LR-N2012-1/11	Air Transportation Volume Diversion Data.xls
USPS-LR-N2012-1/11	Plant to Post Office - Operating Miles Reductions.xls
USPS-LR-N2012-1/20	Night Diff Calcs.By LDC.xls
USPS-LR-N2012-1/23	LR23 Tables.xls
USPS-LR-N2012-1/24	Smith Testimony Attachments.xls
USPS-LR-N2012-1/24	Smith Testimony Tables.xls
USPS-LR-N2012-1/31	eMARS_WHEP_Staffing Changes Final_AM_v5.xlsx
USPS-LR-N2012-1/31	Study Sites minus non MP Sq Ft MASTER REV 1.xlsx
USPS-LR-N2012-1/31	Summary of maintenance labor and other Savings Nov 24th.xlsm
USPS-LR-N2012-1/33	Copy of FY11_Parts_Network Consolidation Analysis.xls

For each spreadsheet, please provide:

- a. a description of input and output data files;
- b. definitions of all input and output variables or sets of variables;

- c. all sources of input data, and explanations of any modifications to such data made for use in the program; and
- d. the input data and any programs necessary to replicate the output data.

Ruth Y. Goldway
Presiding Officer